

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 SNM-02 AGR-05 AID-05 IGA-02

DEAE-00 CIAE-00 INR-07 IO-11 JUSE-00 NSAE-00 TRSE-00

USIA-06 NSC-05 OES-03 OMB-01 L-03 SS-15 SCA-01 SCS-03

H-02 DHA-02 /087 R

DRAFTED BY EB/ICD/TRP:PPPILKAUSKAS:BLO

APPROVED BY EB:JLKATZ

ARA/BC/B:RSPACE

S/NM:RADUGSTAD

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R 251708Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: VISIT OF GENERAL VICTOR GONZALES

1. GENERAL GONZALES CALLED ON DEPUTY ASSISTANT SECRETARY JULIUS L. KATZ ON FEBRUARY 6. GENERAL GONZALES EXPRESSED A PRIMARY INTEREST IN COFFEE AND SUGAR IN HIS DISCUSSION WITH MR. KATZ. HE IS CONCERNED WITH THE BOLIVIAN EFFORT TO SHIFT FARMERS OUT OF COCOA PRODUCTION INTO COFFEE. GENERAL GONZALES SAID THE PRIMARY EFFORT MUST BE FOCUSED ON PROVIDING FARMERS WITH A SUFFICIENT FINANCIAL RETURN FROM COFFEE PRODUCTION TO MAKE THE SWITCH SUITABLE. HE SAID HIS MINISTRY IS NOW OFFERING FREE COFFEE SEEDLINGS IN ORDER TO FACILITATE THE SWITCH. BOLIVIAN COFFEE PRODUCTION IS EXPECTED TO RISE FROM 73,000 BAGS IN 1976 TO

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109,000 BAGS IN 1981 AND BOLIVIA DESIRES A QUOTA

UNDER THE NEW INTERNATIONAL COFFEE AGREEMENT BIG ENOUGH TO COVER ITS INCREASED PRODUCTION.

2. MR. KATZ POINTED OUT THE NEW INTERNATIONAL COFFEE AGREEMENT WILL NOT HAVE QUOTAS IN EFFECT IMMEDIATELY AND PROBABLY NOT FOR AT LEAST THREE YEARS.

COFFEE SUPPLIES ARE LIKELY TO BE RELATIVELY TIGHT TO ADEQUATE FOR THE NEXT FIVE YEARS OR SO, PRICES SHOULD BE RELATIVELY HIGH, STOCKS SHOULD BE RELATIVELY MODERATE AND A GOOD OPPORTUNITY THEREFORE EXISTS FOR EXPANSION OF PRODUCTION.

3. GENERAL GONZALES SAID BOLIVIA NEEDS ASSISTANCE OF A TECHNICAL AND FINANCIAL NATURE TO SUPPORT ITS DIVERSIFICATION EFFORT OUT OF COCA AND INTO COFFEE. MR. KATZ SUGGESTED SOME OF BOLIVIA'S NEIGHBORS SUCH AS BRAZIL OR COLOMBIA COULD BE A GOOD SOURCE OF TECHNICAL HELP. HE ALSO SAID WE WOULD LOOK INTO THE POSSIBILITIES OF AIDING THE BOLIVIAN EFFORT.

4. THE GENERAL EXPRESSED A DESIRE TO DISCUSS BOLIVIAN SUGAR EXPORTS IN THE U.S. MARKET. HE STATED BOLIVIA RECOGNIZES THE U.S. IS UNLIKELY TO HAVE A QUOTA SYSTEM IN THE NEAR FUTURE.

5. MR. KATZ OUTLINED FOUR POSSIBILITIES FOR U.S. SUGAR POLICY. THEY INCLUDED:

- (A) CONTINUE OUR CURRENT FREE MARKET POLICY. MR. KATZ POINTED OUT THIS PRESENTS NO DIFFICULTIES AS LONG AS PRICES ARE HIGH.

- (B) GO BACK TO A SUGAR ACT SYSTEM. MR. KATZ POINTED OUT THIS WOULD BE DIFFICULT SINCE THE VARIOUS ELEMENTS OF THE SUGAR INDUSTRY SEEM TO BE PULLING IN DIFFERENT DIRECTIONS AND CONSUMERS WOULD LARGELY OPPOSE.

- (C) THE SECRETARY OF AGRICULTURE COULD USE OTHER AUTHORITIES HE HAS UNDER CURRENT LAWS TO PUT A QUOTA-TYPE SYSTEM INTO EFFECT. WE WOULD DO THIS BY LOWERING THE LIMITED OFFICIAL USE

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PRESENT NOMINAL SEVEN MILLION TON QUOTA BUT THIS COULD GIVE US SOME OF THE SAME PROBLEMS WE FACED WITH OUR SUGAR ACT.

- (D) AN INTERNATIONAL SUGAR AGREEMENT (ISA) MIGHT BE FORMULATED WHICH WOULD KEEP WORLD PRICES SUFFICIENTLY HIGH SO THAT WE WOULD NOT NEED A DOMESTIC PROGRAM.

6. GENERAL GONZALES INQUIRED ABOUT THE POSSIBILITY OF A LONG TERM SUGAR CONTRACT BETWEEN BOLIVIA AND THE U.S. THE USG DOES NOT ENTER INTO COMMERCIAL CONTRACTS OF THIS NATURE. WE ARE AWARE THAT SUCH CONTRACTS HAVE BEEN ENTERED INTO BY FOREIGN SUPPLIERS AND U.S. INDUSTRIAL USERS AT FAVORABLE PRICES. BOLIVIA MUST SHOW ITS PRODUCTION IS STABLE AND WILL CONTINUE TO INCREASE. MR. KATZ OFFERED TO SUPPLY THE MINISTER A LIST OF AMERICAN FIRMS WHICH DEAL COMMERCIALY IN SUGAR AND COFFEE.

7. MR. KATZ POINTED OUT THAT QUOTAS, IF REESTABLISHED, WOULD PROBABLY BE BASED ON HISTORICAL PERFORMANCE. LONG TERM CONTRACTS WOULD HELP BOLIVIA ESTABLISH A RECORD OF PERFORMANCE. OBVIOUSLY HOWEVER, BOLIVIA WOULD HAVE TO BE ABLE TO PERSUADE BUYERS OF THEIR RELIABILITY.

8. BOLIVIAN CHARGE LOUIS ARNAL UNDERTOOK A FOLLOW-UP VISIT TO AMBASSADOR SHELDON B. VANCE ON FEBRUARY 12. HE FOCUSSED PRIMARILY ON THE SUBSTITUTION OF COFFEE FOR COCA, FINANCIAL HELP FOR THE SHIFT, BOLIVIA'S ANTI-COCA PROGRAM, AND THE TREATMENT AND STATUS OF U.S. CITIZENS HELD ON DRUG RELATED CHARGES IN BOLIVIA.

9. CHARGE ARNAL OPENED BY NOTING THAT ONE-HALF OF BOLIVIAN COCA IS CONSUMED DOMESTICALLY AND THE OTHER HALF IF ILLEGALLY EXPORTED. AMBASSADOR VANCE NOTED WE HAVE ALREADY UNDERTAKEN STUDIES WITH BOLIVIA ON COCA ERADICATION AND WE WOULD BE HAPPY TO USE SOME OF OUR FUNDS TO UNDERTAKE FURTHER STUDIES AND UNDERTAKE A PILOT PROJECT. WE COULD ALSO TRY TO HELP BOLIVIA SECURE IBRD, UNDP AND OTHER FINANCING SO COCA PRODUCERS COULD OBTAIN ALTERNATE INCOME SOURCES.

10. MR. ARNAL SAID ANY ALTERNATIVE CROP HAS TO SHOW A LIMITED OFFICIAL USE

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REASONABLE RETURN ON FARMER INVESTMENT, AND HE THINKS COFFEE IS AN EXCELLENT CANDIDATE. WHAT IS NEEDED ARE SEEDLINGS, TECHNICAL ASSISTANCE AND FINANCIAL SUPPORT TO BRIDGE THE GAP BETWEEN THEIR DEPARTING FROM COCA PRODUCTION AND THEIR FIRST COFFEE CROP. HE ALSO NOTED THE ESSENTIALITY OF DISTRIBUTION, TRANSPORTATION AND EXPORT OUTLETS, ALL OF WHICH MUST BE CAREFULLY STUDIED. BOLIVIA NEEDS BASIC DATA ON WHICH TO BASE DECISIONS.

11. AMBASSADOR VANCE SAID OUR EMBASSY WILL CONTACT MINISTER GONZALES AND FIND OUT WHAT HIS SPECIFIC WISHES AND DESIRES ARE IN REGARD TO CONVERSION TO COFFEE. WE CAN BE MORE HELPFUL IF WE WORK TOGETHER WITH ALL OF THE BOLIVIAN MINISTRIES INVOLVED. AMBASSADOR VANCE STRESSED THAT HE IS CHARGED WITH THE GOAL OF STOPPING COCA ENTRY

INTO THE U.S. AND THAT HE HAS MONEY TO EXPEND ON THE PROGRAM. WE WANT TO EXPLORE ALL THE ANGLES WITH MINISTER GONZALES AND OTHER GOB OFFICIALS. THIS MIGHT INVOLVE A FEASIBILITY STUDY AND PILOT PROJECT FOR CROPS BESIDES COFFEE. ALL THE POSSIBILITIES SHOULD BE EXPLORED.

12. MR. ARNAL SAID THAT THERE ARE 30,000 HECTARES OF COCA NOW BEING PRODUCED AND A TOTAL CONVERSION TO COFFEE COULD PLACE BOLIVIA BEYOND ITS 400,000 BAG EXPORT AUTHORIZATION IN THE NEW INTERNATIONAL COFFEE AGREEMENT. AMBASSADOR VANCE REPLIED WE WOULD HAVE TO EXPLORE THAT QUESTION WHEN IT AROSE AND BOLIVIA WOULD HAVE TO WORK OUT ANY MARKET SHARE PROBLEMS WITH OTHER PRODUCING MEMBERS OF THE ICO. AMBASSADOR VANCE ALSO NOTED THAT FIFTY PERCENT OF BOLIVIA'S CITRUS CROP IS CURRENTLY LOST DUE TO MEDITERRANEAN FRUIT FLY INFESTATION. WE COULD HELP LOOK INTO THIS PROBLEM WITH A VIEW TO TECHNICAL ASSISTANCE.

13. AMBASSADOR VANCE AND MR. ARNAL THEN ENTERED INTO A LONG DISCUSSION OF THE CURRENT STATUS OF U.S. CITIZENS NOW BEING HELD ON DRUG RELATED CHARGES IN BOLIVIAN JAILS. MR. ARNAL POINTED OUT THAT THE GOB IS UNDER PRESSURE TO RELEASE THE PEOPLE CHARGED UNDER BOLIVIAN LAW AND THAT ACCUSATIONS OF POLICE BRUTALITY HAVE BEEN LEVELLED. MR. ARNAL POINTED OUT THE PEOPLE NOW BEING HELD WERE FOUND IN POSSESSION OF LARGE QUANTITIES OF COCAINE (AS MUCH AS LIMITED OFFICIAL USE

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23 KILOS).

14. AMBASSADOR VANCE SAID THE BEST WAY TO DEFUSE SUCH CRITICISM WAS SPEEDY INVESTIGATION OF SUCH CHARGES AND THE UNDERTAKING OF CORRECTIVE MEASURES IF INVESTIGATION PROVED THE CHARGES HAVE MERIT. HE ALSO SAID THAT BRINGING PERSONS CHARGED UNDER BOLIVIAN LAW TO TRIAL AS SOON AS POSSIBLE IS ALSO EXTREMELY IMPORTANT. HE SAID THE ADMITTING OF MISTAKES AND RAPID CORRECTIVE ACTION CAN AVOID PROBLEMS IN THE FUTURE.

15. THE AMBASSADOR ALSO DEFINED THE ROLE OF THE U.S. CONSUL IN REGARD TO PRISONERS BEING HELD IN BOLIVIA, NOTING THAT WE ARE PREPARED TO HEAR BOTH SIDES OF THE QUESTION, HELP PRISONERS IN OBTAINING LEGAL COUNSEL, AND UNDERTAKE NORMAL CONSULAR OFFICER FUNCTIONS. THE AMBASSADOR CAREFULLY POINTED OUT WE ARE NOT PREPARED TO INTERFERE WITH INTERNAL BOLIVIAN LEGAL PROCESSES, BUT ARE ONLY INTERESTED IN ASSURING U.S. PRISONERS THEY RECEIVE NORMAL TREATMENT UNDER BOLIVIAN LAW. OUR VIEW IS THAT THOSE HELD ON DRUG RELATED CHARGES MAY BE INVOLVED IN ACTIVITIES DETRIMENTAL TO BOTH OUR COUNTRIES.

16. MEETINGS WITH SECRETARY BUTZ REPORTED BY SEPARATE
TOFAS MESSAGE. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, VISITS, DIPLOMATIC DISCUSSIONS, AGRICULTURAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE045326
Document Source: CORE
Document Unique ID: 00
Drafter: PPPILKAUSKAS:BLO
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760071-0261
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760213/aaaaalac.tel
Line Count: 226
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 13 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JUL 2004 by ellisoob>; APPROVED <13 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF GENERAL VICTOR GONZALES
TAGS: ETRD, EAGR, OVIP, BL, US, (GONZALEZ, VICTOR)
To: LA PAZ
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006